MULTIMEDIA UNIVERSITY

STUDENT IDENTIFICATION NO

MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

T3, 2018/ 2019

BIM7104 – SUSTAINABILITY AND INNOVATION MANAGEMENT

(All Sections/Groups)

24 MAY 2019
9.00 a.m – 12.00 p.m.
(3 Hours)

INSTRUCTIONS TO STUDENTS

1. This question paper consists of **FOUR (4)** pages (including the cover page).

2. Answer **ALL** questions. The marks distributions are given in parentheses.

3. Write all your answers in the **Answer Booklet** provided.

QUESTION 1

Read the following case and answer the given questions.

The Audit

Sue was puzzled as to what course of action to take. She had recently started her job with a national certified public accountant (CPA) firm, and she was already confronted with a problem that could affect her future with the firm. On an audit, she encountered a client who had been treating payments to a large number, but by no means a majority, of its workers as payments to independent contractors. This practice saves the client the payroll taxes that would otherwise be due on the payments if the workers were classified as employees. In Sue's judgment this was improper as well as illegal and should have been noted in the audit. She raised the issue with John, the senior accountant to whom she reported. He thought it was a possible problem but did not seem willing to do anything about it. He encouraged her to talk to the partner in charge if she didn't feel satisfied.

She thought about the problem for a considerable time before approaching the partner in charge. The ongoing professional education classes she had received from her employer emphasized the ethical responsibilities that she had as a CPA and the fact that her firm endorsed adherence to high ethical standards. This finally swayed her to pursue the issue with the partner in charge of the audit. The visit was most unsatisfactory. Paul, the partner, virtually confirmed her initial reaction that the practice was wrong, but he said that many other companies in the industry follow such a practice. He went on to say that if an issue was made of it, Sue would lose the account, and he was not about to take such action. She came away from the meeting with the distinct feeling that had she chosen to pursue the issue, she would have created an enemy.

Sue still felt disturbed and decided to discuss the problem with some of her co-workers. She approached Bill and Mike, both of whom had been working for the firm for a couple of years. They were familiar with the problem because they had encountered the same issue when doing the audit the previous year. They expressed considerable concern that if she went over the head of the partner in charge of the audit, they could be in big trouble since they had failed to question the practice during the previous audit. They said that they realized it was probably wrong, but they went ahead because it had been ignored in previous years, and they knew their supervisor wanted them to ignore it again this year. They did not want to cause problems. They encouraged Sue to be a "team player" and drop the issue.

(Source: Wheelen, T. L., Hunger, J. D., Hoffman, A. N. & Bamford, C. E. (2015). Strategic Management and Business Policy: Globalization, Innovation and Sustainablility, 14th Edition. Pearson.)

Required:

(i) What would you do in this situation if you were Sue?

(8 Marks)

Continued...

(ii) What are the pros and cons of Sue going over the head of the partner in charge of the audit to discuss the issue with the Upper management?

(12 Marks)

[Total: 20 Marks]

QUESTION 2

(i) The boards of most publicly owned corporations are composed of both inside and outside directors. Based on the agency theory and stewardship theory, critically evaluate the relevance of outside and inside directors in corporations.

(10 Marks)

(ii) Dow Jones & Company, a leading provider of global business news and information, developed a sustainability index that considers not only environmental, but also economic and social factors. Discuss the environmental, economic and social criteria used in the Dow Jones Sustainability Index.

(10 Marks)

[Total: 20 Marks]

QUESTION 3

(i) What can a corporation do to ensure that information about strategic environmental factors gets to the attention of strategy makers?

(10 Marks)

(ii) How might a firm's management decide whether it should continue to invest in current known technology or in new, but untested, technology? What factors might encourage or discourage such a shift?

(10 Marks)

[Total: 20 Marks]

Continued...

QUESTION 4

Read the following case and answer the given question.

Pizza Hub is an Italian start up firm (fewer than ten employees), founded to provide quality delivery pizzas. As the founder explained, every Wednesday he and his friends used to have pizza for dinner. However, they were always disappointed with the taste, ingredients and quality. Therefore, they decided to create a new business based on the production of digestible and light pizza made only with semi-wholemeal organic flour. The selection of ingredients is particularly important. In fact, they use only fresh, seasonal and Italian products. Furthermore, they have implemented primary and secondary activities based on the respect of nature and the importance of health care, thus focusing on sustainable elements. For example, they use only biodegradable products (such as cutlery, glasses and napkins) and sustainable facilities to avoid producing CO_2 (e.g. an electric oven and electric delivery bikes).

(Adapted from: Franceschelli, M.V., Santoro, G., and Candelo, E. (2018) "Business model innovation for sustainability: a food start-up case study", British Food Journal, Vol. 120 Issue: 10, pp.2483-2494, https://doi.org/10.1108/BFJ-01-2018-0049)

Required:

Discuss the key elements for a sustainable and innovative business model for Pizza Hub.

[Total: 20 Marks]

QUESTION 5

Concerned about the campaign against its environmental practices, ABC Sdn Bhd, a garment manufacturing company in Kuala Lumpur has decided to embark on a strategic move to ultimately reinvent its operations and meet broad sustainability metrics by 2020. The main objective of this strategic direction is to move beyond "compliance" and capitalize on sustainability by integrating it into the fabric of the company, from design and manufacturing to the supply chain.

Required:

Assuming that you have been appointed as the sustainability consultant to advise the management on the strategic move toward sustainability. What will you suggest that the management should do?

[Total: 20 Marks]

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